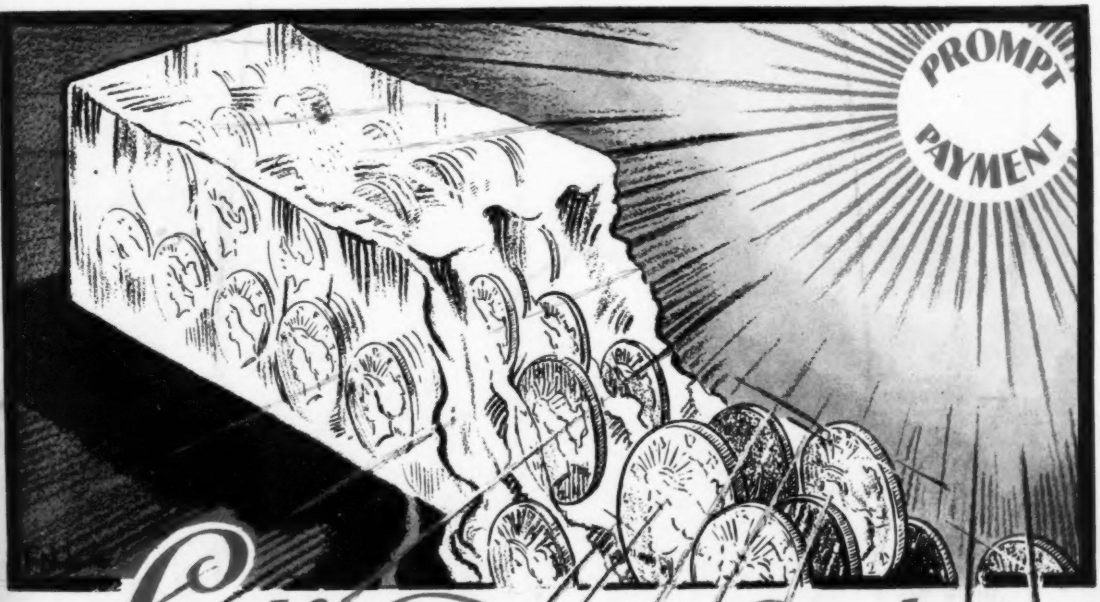
The CREDIT WORLD

Magazine of Retail Credit

HOARDED money . . . . . withdrawn from the active channels of trade . . . . . restricts credit—creates unemployment. Every dollar returned . . . . . to circulation means putting men to work. It means help to agriculture and to business.

—PRESIDENT HOOVER



Let's Thaw Out FROZEN DOLLARS!

TREAT YOUR CREDIT AS A SACRED TRUST

MARCH, 1932 Vol. XX No. 7

The CREDIT WORLD

Official Magazine of the National Retail Credit Association

March, 1932 Vol. XX No. 7

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TREAT YOUR CREDIT AS A SACRED TRUST

This publication carries authoritative notices and articles in regard to the activities of the National Retail Credit Association; in all other respects the Association cannot be responsible for the contents thereof or for the opinions of writers.

CHANGE OF ADDRESS: A request for change of address must reach us at least one month before date of the issue with which it is to take effect. Duplicate copies cannot be sent without charge to replace those undelivered through failure to send this advance notice. With your new address it is absolutely essential that you also send us your old one. Entered as second-class matter at the post office at St. Louis, Mo., under the Act of March 3, 1879. Published monthly. Subscription, $2.00.

EDITORIAL AND EXECUTIVE OFFICES
1218 Olive Boulevard St. Louis, Missouri

EDITORIAL COMMENT

D. J. WOODLOCK

Bankruptcy Amendments

PRESIDENT HOOVER'S long expected message on law enforcement and the Federal Bankruptcy Act was delivered to Congress on February 29.

In very positive language the President called the Bankruptcy Law "defective" and urged changes to help the honest debtor, to discourage fraud and conserve assets. He pointed out that in a decade the number of bankruptcies have increased from 23,000 to 65,000 annually and losses to creditors from $144,000,000 to $911,000,000.

On March 1, the bills embodying the proposed changes in the law were presented to Congress. In them were included several of the amendments recommended by the Legislative Committee of the National Retail Credit Association.

Our Committee has worked for over a year on this particular legislation and it is certainly a high compliment to their judgment and an evidence of the high regard in which the National Retail Credit Association is held to have Solicitor General Thacher and the officials of the Department of Justice include our recommendations in their report to the President.

It is now up to every member of the National Retail Credit Association to urge the House Judiciary Committee to support the proposed changes, and particularly H. R. 7430, the Baldrige Bill, exempting necessaries and requiring the bankrupt to prove good faith as to debts contracted within four months of the bankruptcy.

Also H. R. 9971, the Andresen Bill, limiting voluntary bankruptcy to a minimum of $500.00.

Officials of local Credit Associations, Chairmen of Legislative Committees and individual members should write at once.

Following is a list of the Judiciary Committee. Address them in care of the House of Representatives, Washington, D. C.

Hatton W. Sumners, Dallas, Texas.
Andrew J. Montague, Richmond, Va.
Fred H. Dominick, Newberry, South Carolina.
Henry St. George Tucker, Lexington, Va.
Tom D. McKeown, Ada, Okla.
Gordon Browning, Huntingdon, Tenn.
Emanuel Celler, Brooklyn, N. Y.
Frank Oliver, New York City, N. Y.
William V. Gregory, Mayfield, Ky.
Malcolm C. Tarver, Dalton, Georgia.
Francis B. Condon, Central Falls, R. I.
Zebulon Weaver, Asheville, N. C.
William H. Dieterich, Beardstown, Ill.
Leonidas C. Dyer, St. Louis, Mo.
Charles A. Christopherson, Sioux Falls, S. D.
Richard Yates, Springfield, Ill.
Earl C. Michener, Adrian, Mich.
J. Banks Kurtz, Altoona, Pa.
C. Ellis Moore, Cambridge, Ohio.
Fiorello H. LaGuardia, New York City.
Homer W. Hall, Bloomington, Ill.
Carl G. Bachmann, Wheeling, W. Va.
Charles I. Sparks, Goodland, Kan.

How Credit Men Can Release Hoarded Credit

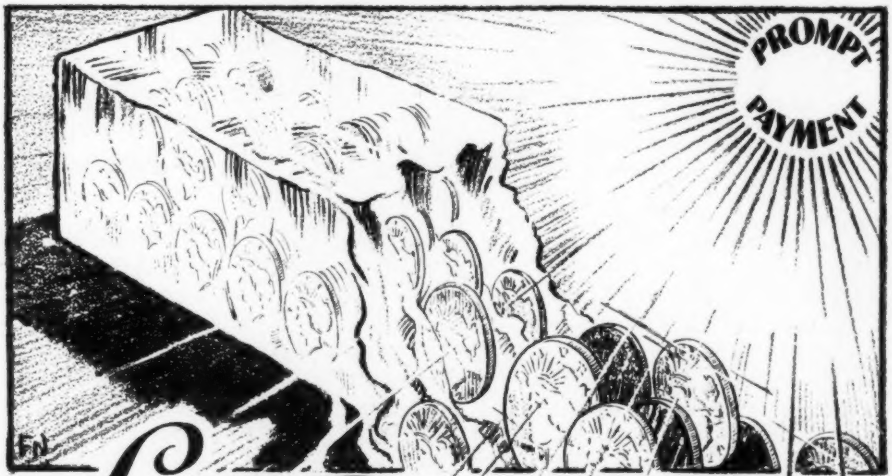
IT IS depressing to note that 115 banks failed during February, but when you realize there were 334 failures in January, it indicates a more stable trend in the nation's financial affairs. March should show another decrease and with the passing by Congress of bills authorizing the spending of billions of dollars, and the bringing out of "hoarded" money for the purchase of Government bonds, we begin to see a rainbow in our commercial sky.

It looks like a good time to "thaw out frozen credit"—the billions of dollars tied up in accounts receivable, much of which is owing by persons who can pay but are using the depression as an excuse to delay as long as possible.

Believing that a patriotic appeal to this class of customers to join in the general loosening up of credit will thaw out at least a billion dollars of slow accounts receivable, the National Retail Credit Association has prepared a special newspaper advertisement, as indicated on the opposite page, and appeals to the retailers of every community to run this inspiring and effective advertisement in their daily papers some time during the period from March 10 to April 15.

It is our aim to cover the entire nation with the same appeal and we have found the newspapers anxious to cooperate by making special rates or contributing space. The newspaper "mats" for this advertisement are furnished to members by the National Office. The Managers of all local credit bureaus have been supplied with sample advertisement and full details.

A Timely Advertisement to Increase Collections



Let's Thaw Out FROZEN DOLLARS!

"Credit is the blood stream of our economic life. Restriction or destruction of credit cripples the revival of industry, commerce and employment."
—President Hoover

THE President estimates that hoarded money—money withdrawn from circulation—amounts to $1,500,000,000. A patriotic appeal is being made to all citizens to restore this money to circulation.

But hoarded cash is only a drop in the bucket compared to the billions of dollars tied up in hoarded credit—*in unpaid bills!*

Millions of people in this country who can afford to pay—and don't—are working untold hardships on their retail stores, their physicians, their dentists, by withholding payment of their bills long after they are due—

Working hardships on everybody, even themselves, because credit works in circles, through the retailer, the wholesaler, the manufacturer, back to the worker and the consumer.

Let's thaw out those frozen dollars! Idle dollars won't put idle hands to work!

If all of us would pay up our unpaid bills now, it would put billions of dollars back into circulation, would stimulate business, would put millions back to work, would hasten the return of prosperity.

Pay your bills now—as a patriotic duty—as a just obligation to your creditors . . . your country . . . yourself!

TREAT YOUR CREDIT AS A SACRED TRUST

NATIONAL RETAIL CREDIT ASSOCIATION
MEMBER ADVISORY COMMITTEE
CITIZENS' RECONSTRUCTION ORGANIZATION
(This Space for Local Association Signature)

Mats can be furnished in two sizes: 4 col. x 170 lines (8 x 12 in.) 3 col.x125 lines (6 x 9 in.)
(Can also be furnished in leaflet form for use as a statement enclosure)

Full Information Has Been Mailed to Your Bureau Manager

Credit Problems of 1932

By WILLIAM NELSON TAFT

Editorial Director, Retail Ledger Publications

An Address Delivered Before the Cleveland Retail Credit Men's Association, Cleveland, O., February 18, 1932

LIKE every other division of a store, the credit department is facing, in 1932, a problem in the building of bricks with a minimum of straw—a problem in the increase of volume and profit with fewer facilities than were formerly available. But, also like every other division of a store, the credit department has got itself down to a much firmer and sounder basis than formerly, through the elimination of at least the majority of the frills and the furbelows which hampered it in the past, through the removal of many of the barnacles which so seriously impeded progress in other years.

For one thing, there is by no means the pressure for the opening of hundreds or thousands of new accounts so prevalent in times of greater prosperity—nor, for that matter, is there by any means the same pressure for the reopening of inactive accounts, for store executives in general and credit managers in particular have come to the conclusion that inactive accounts usually come to life again simply because of the fact that the customers in question have exhausted their credit with the stores where they have been active purchasers in the past.

Moreover, experience of the past two years has convinced those who direct the policies of many stores that a too-liberal extension of the credit privilege is a sure road to ruin and, because of this, credit managers have been permitted to tighten their reins and draw hard on their bits where, formerly, it was considered that such a procedure would result only in making the patron too fractious and drive her to a competitor's store.

Any consideration of the credit problems of 1932, therefore, should not partake of the nature of an analysis of how these differ from those of 1931—for the difference here is very slight indeed—but of how the credit department can best cooperate with the remainder of the organization in securing more safe business, at a reasonable profit, during a year when business of this nature is going to be about as easy to get as a raise in salary.

So far as the credit conditions of 1932 are concerned, it is safe to say that they are not going to be any worse than those of 1931—a backhanded compliment though that may be—and there is a distinct probability that they will be better.

There are two reasons for this. In the first place, credit managers, like all other executives of the business world, have learned to make better use of the tools with which they work. Adversity has forced them to get along with what they have (which is considerably less than they used to have), to plan their work in advance and then to follow this plan through to a successful conclusion.

Also, it has forced them to rely more extensively upon the extremely efficient aid and assistance which their local credit bureaus can supply, secure in the knowledge that if they do not recommend the opening of an account other store officials will hesitate to go over their heads.

The second reason why credit conditions will probably be distinctly better in 1932 than they were last year is because of the fact that the public itself is also getting on a much firmer foundation, so far as its viewpoint of retail credit is concerned.

Prior to 1929, and throughout the major portion of 1930 as well, wastebaskets in every home were full to overflowing with invitations to use charge accounts, many stores even going to the lengths of announcing that "We have taken the liberty of opening an account in your name" and asking Mrs. Prospect to come in and make immediate use of her charge.

There is little reason for wonder that, under conditions of this nature, patrons of retail stores were inclined to regard credit as being about as much a "privilege" as a permit to stroll on Euclid Avenue would have been—or that they paid just about as much attention to it.

True, from time to time, they received recognizable form letters, calling their attention to the fact that "our terms call for payment on or before the tenth of the month following date of purchase" or some other similar rubber-stamped phrase, but, credit having been almost literally forced upon them in spite of their own wishes, these epistles were promptly filed with the rest of the trash and forgotten, until such time as the sixth or eighth or tenth of the series began to get a little harsh in tone.

Then Mrs. Customer switched part of her charge purchases to some other store and used her money as a part payment on the overdue bills that were nearest at hand.

Today, with far less ready money than formerly and with fewer expectations of receiving any more, the budgeting system has grown to the extent where the majority of credit patrons are much more careful of their

obligations, much more sensitive to their need of credit as a solution to their problems of living and, consequently, more considerate of their credit obligations.

Proof of this is to be found in the fact that the reports of credit bureaus in a number of larger cities show a distinct improvement in collections during the latter part of 1931—the index for the Credit Bureau of Greater New York, for example, showing a decrease in December of only 1.23, while the September, October and November decreases, respectively, were 3.45, 3.0 and 1.89, indicating that, starting with September, each month has shown a gradual improvement.

Also, in December, 40 per cent of the stores which comprise this bureau reported an increase in collections over the same month of the previous year while, in November, only 25 per cent had made such a report and, in October, only 10 per cent.

Analysis of the records of this bureau shows that there was a decrease in collections for the year as a whole of only two points, which means that in 1931 customers took less than 5 per cent longer to pay their accounts than they did in 1930. Here is clear indication of the fact that credit and collection managers had been very much on the job and had been doing their work exceptionally well, for it should be remembered that business in other selling divisions of the store dropped off 11 per cent (more than twice as much) during the same period.

Since, therefore, credit conditions this year bid fair to be little different than those of 1931 and since an improvement may confidently be expected, it follows that there will be little need for any radical change or departure from the methods in force last year—no necessity for tightening up or loosening up.

But there will be (and is) a very real need for further continuous application of the plans which proved their value during one of the toughest years that retailing has ever experienced.

Last year, the successful credit managers were those who followed up their collections with the most meticulous care, refusing to permit even a single account to get out of hand. This year it will be the same.

Last year, successful credit managers worked twice as hard on delinquent accounts as they ever did before, sending out many more letters and making many more phone calls, since they realized that only in this way would it be possible for them to keep their collection percentages up to the point of approximate normalcy. This year, the same care, the same hard work, the same free use of the mails and the telephone will be necessary.

Last year, it was recognized that firmness was necessary in dealing with patrons who were inclined too glibly to take advantage of "the depression" or "conditions" or "bank failure" in order to avoid paying their bills. This year, while bank failures will be fewer and conditions improved, the same policy of the iron hand in the velvet glove will have to be used.

Obviously, some customers, those who have had good credit records in the past, should be favored in their delinquencies—but not favored to the point where even they are permitted to feel that the store's policy is a lax one and that, if they care to do so in the future, they can get away with murder so far as the credit department is concerned.

Undue pressure in this direction will be dangerous because of its tendency to destroy future good will but, conversely, lack of sufficient pressure will serve only to plant the seeds of trouble—and plenty of it—in the years to come.

Judging from the experience of stores along this line, a safe rule to follow would appear to be to start collection pressure not later than the forty-fifth day and then increase it according to the present status of the account and its past history. While, with the average customer, the minimum period of suspension of the account is usually four months, this may be shortened to three months in a number of instances or extended as the judgment of the credit manager dictates.

In this connection, however, it should be emphasized that the head of the credit department of any store should be, as his title indicates, the *Credit Manager* of that store and that, since his is the responsibility for failure, his also should be the responsibility for the methods to be used and the plans to be followed, without interference from other store officials.

Too frequently in the past accounts have been opened or have remained unclosed simply because of the influence of some other executive. Today this influence should be allowed to be used only if the executive in question cares to guarantee the account, precisely as any other would be guaranteed, assuming responsibility for its nonpayment within a reasonable length of time.

Only in this way is it possible for the credit manager to live up to the duties of his position. Only in this way can he have that direct supervision over details to which his post as one of the major executives of the store entitles him. And he is far better able to demand this right at the present time than he has ever been in the past.

In this connection it should be noted that the rapidly changing conditions of the past two years render necessary not only the securing of responsible reports on all applicants for credit but also a periodic check-up at least twice a year on inactive accounts which suddenly come to life and the obtaining of up-to-the-minute data on all charge patrons where the credit information is more than two years old.

Few fortunes were made in 1930-31, so there is little danger of overlooking important new prospects, but a lot of fortunes—big, medium and small—went overboard during those years and it follows that thousands who were the best possible credit risks in 1929 would have the accent on the "risk" in 1932.

Up-to-date reports which show the *present* paying habits and the *present* position and living conditions of

(*Continued on page* 32.)

Credit Bureau Executives Meet in Washington

The Columbia Regional Conference of Credit Bureau Executives of the states of Delaware, New Jersey, Pennsylvania, Maryland, West Virginia, Virginia, North Carolina and the District of Columbia, was held at the Mayflower Hotel, Washington, D. C., February 15 and 16.

Mr. Charles W. Prettyman, Assistant Secretary, Associated Retail Credit Men of Washington, writes:

"The presence of Mr. Martin from the National Office and Mr. A. B. Buckeridge, Executive Manager of the Credit Bureau of Greater New York and former President of the Columbia Regional Conference while in Pittsburgh, added greatly to the benefit and enjoyment of the two-day program.

"Those in attendance returned to their communities with the avowed intention of bringing the largest possible representation to the National Convention at the same Mayflower Hotel, from June 21 to 25.

"The photograph reproduced below shows a few of the attending celebrities."

Lansing Credit Association Holds Weekly Meetings

Believing that the times demand a closer checking of credits and that this can be accomplished largely through the cooperation of credit grantors, the Lansing (Mich.) Retail Credit Grantors Association meet each week with an average attendance of thirty-seven members. Meetings are held at the noon hour and are limited to one and one-half hours' duration.

While luncheon is being served, a fifteen-minute talk on some phase of credit granting is given by one of the members or a guest. Promptly at twelve-thirty interchange of credit information is taken up. From fifty-five to sixty names are reported on at each meeting.

The Credit Grantors Association is auxiliary to the Lansing Credit Exchange and only members of the Credit Exchange are eligible to membership in the association.

The officers elected for the present year are as follows:

President, Wayne Otis, Lansing Citizens Loan & Investment Co.; Vice-President, William Putman, Credit Manager, Estes Furniture Co.; Secretary-Treasurer, Maude E. Hildreth, Industrial Bank.

Left to right: J. V. Battram, Charleston, West Virginia—President West Virginia State Association; William H. Talley, Wilmington, Delaware—Secretary-Treasurer Columbia Regional Conference; J. William Pennell, Camden, New Jersey—Retiring President Columbia Regional Conference; James D. Hays, Harrisburg, Pa.—President Columbia Regional Conference, Chairman Service Dept., National Retail Credit Association; C. W. Hershey, Reading, Pa.—President Pennsylvania State Association; Thomas L. Husselton, Atlantic City, New Jersey—Former President Columbia Regional Conference, Executive Secretary Atlantic City Chamber of Commerce; Stephen H. Talkes, Washington, D. C.—General Chairman 1932 National Convention Committee; A. E. Uffert, Elizabeth, New Jersey—President New Jersey State Association; C. J. Martin, Eastern Field Representative, National Retail Credit Association.

Occupation as a Credit Factor

By PAUL D. CONVERSE

Professor Business Organization and Operation, University of Illinois

OCCUPATION is one of the important factors in analyzing or "sizing up" applications for retail credit. It is important because it gives an indication of the size and regularity of the applicant's income. It is apparent that the doctor has a higher income than the janitor and that the school-teacher has more regularity of employment than the brick mason.

The occupation may also indicate the probability of change of employer. For example the locomotive engineer has attained his position through years of service. If he quits he loses his seniority. On the other hand the brick mason or the waiter may take a new job at any time, without any decrease in pay.

The amount and regularity of income are surely important in granting credit. There are of course many other important factors, particularly honesty and the ownership of property.

If the retailer had complete information about his customers (their honesty, their income, the assurance of future income, their ownership of property, and the regularity of their habits) he would perhaps not need to know their occupations. Needless to say he does not have complete information about all of his customers. For this reason, occupation may be a very important indicative factor.

Occupation, like any other single factor, is not conclusive. It must be considered in connection with the other known factors. The individual should always be considered. For example, school-teachers stand at the top of the list of occupations included in the accompanying table.

All credit men, of course, know that certain individual school-teachers are poor risks. Painters and decorators by common consent are placed at the bottom of the list. Yet no doubt every retailer selling on credit has certain individual painters who are perfectly satisfactory credit customers.

A few of the credit men replying to requests for information stated that they considered only the individual—that the occupation was of no value. By far the greater number, however, indicated that they considered the occupation of the applicant as an important factor in determining his credit rating.

The information upon which this paper is based was obtained by four senior students in my credit and collection class at the University of Illinois during the closing months of 1931. These students were Arthur Kungle, Allan B. Solomon, Irwin A. Cochrun, and Wallace W. Drueck.

These four students conducted three surveys. In all about 280 questionnaires were mailed and approximately 140 usable replies were received in time for tabulation. In addition some eighteen questionnaires were filled out through personal interviews. Approximately 144 of the replies were obtained from retail credit bureaus.

Each of these replies is therefore based on the composite experience of many individual stores. The other fourteen replies came from the credit managers of individual stores. These figures are given as approximate for the reason that a few of the replies could not be definitely identified as to origin.

Fifty-five of the replies came from Illinois, twenty odd each from Indiana, Michigan and Iowa, and smaller numbers from Ohio, Missouri and Wisconsin. Three replies were received from Kentucky and one from Mississippi. The survey may therefore be considered as representing the Middle West from Ohio on the east to Iowa and Missouri on the west.

Business conditions are a very important factor in the credit rating of many occupations. It was stated by some credit men that the rating of the man in the building trades varies directly with building activities.

When economic conditions are good, factory workers, traveling salesmen, automobile salesmen, men in the building trades, and some other occupations may have higher credit ratings that when business is poor. The questionnaires did not state whether the ratings were to apply to "normal" or present times.

It appears that some of the reporting credit men gave their ratings applying to normal times while others gave the ratings applying to the closing months of 1931. Many of the latter stated that certain occupations, particularly those most affected by the depression, were given somewhat lower credit ratings than they would have received if the surveys had been made when business was good and building active.

A danger in the use of the information given in the accompanying table is that some retailer might see that a certain occupation is given a good rating and extend credit without further investigation. Let us repeat: *Occupation is only one factor. The individual should always be considered.*

The information obtained in these three surveys is summarized in the table on the opposite page. In compiling this table a weight of 100 was given for a good rating; 60 for a fair rating; and 20 for a poor rating. Thus if all the ratings received were good the occupation would be given a rating of 100, while if all the ratings were poor, it would be only 20. A rating of 60 in the numerical scale is a fair rating. It will be observed that of the 34 occupations included in the table, 19 rated above 60, and 15 below 60.

An examination of the data in this table shows that regularity of income is a more important factor than the amount of income. School-teachers, office workers and retail grocers (personal accounts) rank higher than lawyers, railroad trainmen and doctors; while janitors and domestic servants rank above carpenters, tenant farmers, truck drivers and automobile salesmen.

This fact was perhaps brought out with more force by the comments of individual credit men than by the numerical ratings in the table. Coal miners and factory workers were very frequently stated to be good risks when working. The relatively low rating assigned results from irregular employment.

Irregular income also largely accounts for the low rating of men in the building trades, farmers (especially tenants), automobile salesmen, to a certain extent of traveling salesmen, and, at the present time, of railroad shopmen and track workers in some towns.

Doctors and dentists were often reported as good but slow pay. Some said that they were slow because they were poor collectors. Lawyers were rated much lower than doctors and dentists. It was even suggested that some of the lawyers were slow because they knew they could get away with it.

The sense of responsibility or attitude toward obligations is also apparently important. This may help to explain why school-teachers, chain store managers and retailers come near the top of the list. Regularity of income is, however, a very important factor with some of these types of employment.

NUMERICAL CREDIT RATING OF THIRTY-FOUR OCCUPATIONS

(Scale: good, 100 points; fair, 60 points; poor, 20 points.)

Occupation	Number of Ratings Received: Good	Fair	Poor	Total	Numerical or Percentage Rating
School-Teachers	114	37	2	153	89.3
Chain Store Managers	95	24	5	124*	89.0
Office Employees	108	46	–	154	88.1
Retail Grocers, personal accounts	100	45	1	146	87.1
Doctors	98	44	6	148	84.9
Railroad Trainmen	91	42	6	139	84.5
Dentists	95	49	6	150	83.7
Railroad Shopmen	72	46	5	123	81.8
Retail Salespeople	79	64	1	144	81.7
Other Retailers (other than grocers) personal accounts	69	56	1	126	81.6
Nurses	81	49	15	145	78.2
Farmers (Owners)	61	64	13	138	73.9
Lawyers	59	58	36	153	66.0
Traveling Salesmen	45	74	30	149	64.0
Factory Workers, men	19	27	14	60*	63.3
Factory Workers, women	9	32	9	50*	60.0
Factory Workers, men & women	23	54	9	86x	66.5
Factory Workers, Combined or average rating for all factory workers					63.9
Railroad Track Workers	18	17	14	49*	63.9
Firemen and Policemen	45	68	37	150	62.1
Railroad Trackwalkers	7	31	6	44**	60.9
Filling Station Employees	9	33	9	51*	60.0
College Students	18	66	19	103	59.6
Automobile Mechanics	21	91	32	144	56.9
Janitors	24	75	38	137	55.9
Brick Masons	26	67	45	138	54.5
Domestic Servants	26	77	48	151	54.2
Carpenters	14	83	51	148	50.0
Hotel Employees	12	73	50	135	48.8
Coal Miners	6	23	24	53	46.4
Farmers (Tenants)	16	63	67	146	46.1
Truck (and bus) Drivers	7	69	63	139	43.9
Automobile Salesmen	5	71	69	145	42.3
Common Laborers	5	62	68	135	41.3
Barbers	15	49	85	149	41.2
Restaurant Employees	6	49	85	140	37.4
Painters and Decorators	6	27	115	148	30.5

*Included in only two of the three surveys; x one survey grouped men and women factory employees together. **Included in only one survey.

Office employees are in third place in the table. Retail salespeople are in tenth place in spite of their relatively low pay. Nurses are in eleventh place in spite of irregular employment. All of these occupations rank above lawyers, policemen, firemen and traveling salesmen.

Policemen and firemen usually have steady incomes, yet they rate only fair. One explanation is that they feel that since they are public servants and render valuable protection to the public that it "owes" them something. They try to show this by taking all the time that they want to pay their bills.

One criticism of traveling salesmen is that they are away from home so much that it is hard to make collections. Painters and decorators rank below common laborers although they receive higher wages and presumably have as regular employment.

Janitors and domestic servants rank higher than carpenters, truck drivers, automobile salesmen and barbers. A common objection to domestic servants is that they change employers frequently. Some said that female domestic servants were much better risks than the male servants.

In fact it was the rating of the female servants that prevented this occupation from being placed lower in the list. Of course, the fundamental trouble with domestic servants is their low income. The same applies to common labor with the added condition of irregular employment.

» » »

The Southern Conference, Atlanta, March 21, 22

The credit man will be placed on trial for his business life at the Southern Conference of the National Retail Credit Association, to be held at the Atlanta-Biltmore Hotel, Atlanta, Ga., March 21, 22.

The "prosecuting attorney" who will conduct the case will be Raymond J. Kline, Vice-President of the Davison-Paxon Company, Atlanta, and the "defendant" will be Paul C. Vaughan, Credit Manager for Loveman, Joseph & Loeb, Birmingham, Ala.

D. J. Woodlock, Manager-Treasurer, National Retail Credit Association, will act as "judge."

Included among the other speakers who will address the various sessions of the conference are Dr. Clyde William Phelps, economist of the Federal Trade Commission; W. E. Willet, President of the Industrial Savings Bank, Birmingham, Ala.; E. C. Edwards, Credit Manager of the Haverty Furniture Company, Greenville, S. C.; Robert A. Strickland, Vice-President of the First National Bank, Atlanta, Ga.; Ernest C. Harlan, Manager of the Nashville Retail Credit Bureau; J. P. Fagan, of Remington-Rand, Inc.; and William Nelson Taft, editor of the *Retail Ledger*.

J. J. Doran, President of the Southern Conference and Controller of the Davison-Paxon Company, has also arranged an extensive program of entertainment, including a banquet on the evening of March 21.

WORTH NOTING « «

A Digest of Credit News For Quick Reading

"Twenty Years Ago—"

We quote from the *Spokesman Review* (Spokane, Washington), February 23, 1912:

"A. A. Kraft was the guest of honor and principal speaker at the first weekly luncheon meeting of the recently organized Retail Credit Men's Association. The officers are: President, D. F. Hallahan; secretary, R. H. Beamer; treasurer, G. C. Hebbard."

This means that Spokane organized a Retail Credit Men's Association six months before the birth of the National Retail Credit Association in that city, August 19, 1912. The city of Spokane is worthy of special mention in the archives of the National Retail Credit Association, because the local organized at that time has grown to be the most important commercial organization in Spokane, and the National Retail Credit Association organized in that city has developed into an organization of national importance.

» » »

Retail Distribution in the United States is the title of a very instructive book issued by the Census Bureau. Members of the National Retail Credit Association can secure a copy, without charge, by writing the Census Bureau, Washington, D. C.

» » »

Out of 234 drug stores surveyed, 37 were indicated as doing an exceptionally profitable business. The average bad debt loss of drug stores which failed was 16.5 per cent.

» » »

Here is encouraging news for the small city: the figures of the United States Census of Distribution indicate one-third of the retail business is in cities of less than 10,000 population.

» » »

There were sold last year 48,683,675 packs of playing cards, an increase of 700,000 packs over the previous year. The growing popularity of bridge has helped distribution.

» » »

This may be due to depression, but it is worth noting that about 6,000,000,000 fewer cigarettes and 570,000,000 fewer cigars were produced in the United States in 1931 than in 1930.

» » »

In retail shoe stores catering to women it is noted that 12 per cent of the total sales are of hosiery. It is also noted that sales of women's, misses' and children's shoes were more than twice as great as men's and boys' shoes.

» » »

The Convention of the National Retail Credit Association at Washington, June 21-25, offers a most wonderful opportunity to combine a business and pleasure trip. Credit managers taking their vacations can spend four days with hundreds of other credit men in Washington and take their vacation in seeing the Nation's Capital, an opportunity which comes once in a lifetime.

» » »

Last year 4,651 research studies in education were made, representing an expenditure in time, money and materials of approximately $10,000,000, according to the United States Office of Education.

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Every telephone subscriber in the United States is in contact with 32,750,000 other telephone users or about 92 per cent of all the telephones in the world.

» » »

The loan companies indicate an increase in borrowing to keep up installment payments.

» » »

The merchants of Los Angeles consider the credit records of their bureau so valuable that they keep a duplicate of every record card in a storage vault several miles from the main office. This is a protection against both fire and earthquake.

» » »

In ten years the number of dyeing and cleaning businesses increased from 1,700 to 5,300—their sales volume from $53,000,000 to more than $200,000,000.

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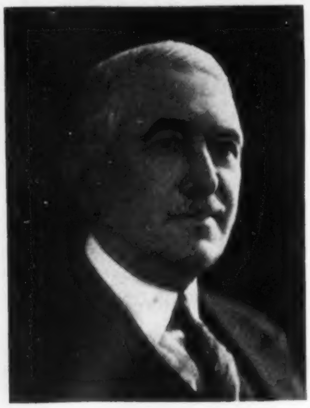
Have You Read "Bankruptcy Reform —The Case for the Retailer"?

A thirty-two page booklet written by R. Preston Shealey of our Legislative Committee, presenting the case of the retailer in clear, convincing form.

We would like to see this booklet in the hands of every retailer—and every member of the present Congress. Your National Office has obtained a quantity of these booklets for distribution to members at the cost of printing—25 cents a copy.

Reprints of any article appearing in The Credit World may be obtained at nominal charge, cost depending on quantity desired.



The Value of the Credit Bureau in the Community

By P. A. O'CONNELL

Vice-President for New England, National Retail Dry Goods Association President, The E. T. Slattery Company, Boston, Mass., and President, Boston Merchants' Credit Bureau, Inc.

Address given at the Annual Meeting of the Boston Merchants' Credit Bureau, Inc., and broadcast over WAAB

THE retail merchants have accomplished much that lessens the cost of selling and it is true that prices of many lines of good merchandise are now 25 to 35 per cent less than they were a year ago. There are two items of cost, however, that still are much higher than is necessary.

They are: (1) The expense involved by the way in which a certain proportion of consumers handle their accounts with the stores; (2) The excessive amount of merchandise that is returned to the stores after it has been purchased.

To rectify either of these two sources of waste, requires not only wiser and more uniform handling on the part of the merchants, but also the whole-hearted cooperation of their customers.

In the long run it is the consumer who has most to gain by eliminating these evils. In so far as they raise the costs of all stores alike, they make for higher retail prices. The profit margins of the stores are so small that the retailers have no choice but to include such expenses in the cost of their merchandise.

It is a fact that *the net profits of the great majority of stores in Boston are less than the waste involved by the misuse of credit.* On the other hand, the consumer can be sure that any saving in the cost of retail distribution will immediately be passed on to him in the form of lower prices, because of the intense competition that exists between the stores.

The subjects of credit and the returning of merchandise, therefore, are something that consumers and retail merchants can very profitably talk over together, especially as under present conditions the great majority of consumers are having to pay for the shortcomings of a relatively small minority who abuse these privileges.

If Mrs. A does not pay her bill at the store, then Mrs. B may have to pay a little more for what she buys. If Mrs. A is careless in her buying and consequently sends back half of the things she takes home, then Mrs. B or somebody else, is forced to choose from goods that have been handled and from stocks that are unnecessarily depleted.

Also, she has to help pay some of the cost of selling these goods again. We are all so closely tied together in this matter that I wish the radio could talk in both directions, or better still, that we could all be together in this room, so we could have the viewpoints and suggestions from other consumers as well as from the merchants who are gathered here.

One thing is certain—both the open charge account and the privilege of returning purchased goods, are two services that must be maintained. Used properly, they are a public economy as well as a convenience. I say this advisedly and as the result of long experience in the retail business.

The charge account saves the customer's time and, of equal importance, it saves the necessity of carrying large sums of money into crowds, where there is always danger of pickpockets and of lost pocketbooks. The privilege of returning merchandise guarantees to the buyer that the goods will be satisfactory and enables her to buy with complete confidence.

The actual cost of both these important privileges, *if properly used by everyone,* would amount to only about 1 per cent—that is a cent on each dollar of purchases, which is an insignificant amount compared with the saving of time and money they bring to the consumer.

When these two privileges are abused by even a few customers, however, the cost quickly mounts to proportions that put a serious and unnecessary burden on the majority of the people. At the present time abuse of the charge account and the excessive returns of merchandise are making these services cost the majority of consumers many times as much as they should.

The question, therefore, is not whether or not we should have charge accounts and allow return of merchandise, but rather how best to eliminate the *abuse* of these services, for the benefit of the greatest number of consumers.

Obviously, the first requirement is to know who the offending consumers are. When you consider that the stores of Boston sell to nearly three million people, you can readily see the impossibility of remembering all the transactions with each one. Most customers are fully entitled to credit and they should not be subjected to the inconvenience of long delay while the store is determining their credit standing; but for the stores to grant credit

carelessly would involve losses that the people who pay their bills would have to bear.

The stores in Boston and in certain adjacent localities are solving this problem in an effective manner through the operation of the Merchants' Credit Bureau. Through this bureau, they will soon have at hand all the credit records and ratings of every customer in the entire city and its suburbs.

The Merchants' Credit Bureau was opened October 6, 1930, and started at once gathering together in a master file the records of the credit and buying habits of all retail customers in the area covered.

All the large retail establishments of Boston, which represent the bulk of the retail business on which credit is allowed, agreed to send to the Merchants' Credit Bureau the ledger record of each of its customers. The full force of this tremendous task fell on the broad shoulders of the credit managers of the respective stores. As these records came into the bureau, a corps of clerks was on hand to file them.

Imagine the size of the task, for during the past year they have built up a file of approximately 800,000 names of customers, and by the first of the new year will have more than 1,000,000 such cards. Under the names already collected are the records of more than 1,200,000 different ledger experiences.

The problem of regulating the excessive returning of merchandise is also one that can be materially lessened through the help of the Merchants' Credit Bureau. Few customers realize how much it costs them in money and inconvenience, because someone else has the habit of buying first and deciding afterward.

During the course of a single year, the stores in Boston have had $20,000,000 worth of merchandise returned. Some of these returns are justified and some are not. It has come to be such an important element in the cost of distribution that the Retail Trade Board appointed a committee to investigate and recommend a plan whereby these returns could be controlled.

The committee was referred to the Merchants' Credit Bureau, whose directors appointed a committee headed by Lawrence Bitner of Wm. Filene's Sons Company. The policy they recommended was agreed upon by a considerable portion of the member stores of the Retail Trade Board, and a plan was adopted to work through the Merchants' Credit Bureau.

I would like, however, to give you certain facts on the matter of returning goods that will be of interest to every consumer who is trying to balance a family budget. We are talking about something that runs into real money.

When the stores in Boston in one year take back $20,000,000 worth of merchandise that they had already sold, it means a direct expense to them of at least 25 per cent of that amount, or $5,000,000. This is a conservative estimate, for it must include the cost of selling the goods again, the loss from mark-downs due to improper packing and style depreciation, also delivery and handling charges.

A careful survey of the problem shows that at least half of the merchandise returns I have mentioned could be eliminated without impairing in any way the proper use of the privilege. Suppose that we consumers, by taking more care in our buying, should reduce this waste and loss by half, there is $2,500,000 a year that the stores of Boston can and will take off the prices of their goods.

It is like finding two and a half million dollars, that the buying public in this community can have to help eke out what to many is a hard year. It is a sum that we, as consumers, are wasting every year simply through careless buying. If someone asked us to raise $2,500,000 we would say that it could not be done, not this year anyway, yet we are throwing away that much without a thought.

The first requirement is to know who are the principal offenders. This can be learned only by a study of the ledger records of over two million consumers, such as the Merchants' Credit Bureau is now collecting.

In addition to recording and reporting the manner in which each consumer handles his or her account, the bureau also will report the proportion or amount of goods returned by each consumer. In each case where this amount habitually is excessive, the fact will be taken into consideration by the individual stores in judging whether or not the account of that consumer will be a benefit or a detriment to the other customers of the store.

Moreover, in the long run, the stores that thus protect the majority of their customers from the losses caused by the carelessness of a small minority, and that pass on this saving in the form of lower prices, will render a service that the buying public will recognize and reward with their trade.

The retail merchants, who themselves are by no means blameless in this matter, also should set about at once to inspect the methods of selling in their stores and eliminate all practices that tend to induce their customers to buy and take out of the store more goods than they intend to keep.

For many years the stores have simply followed the lines of least resistance and in some ways have even helped to induce the economic wrongs that now exist. It was far easier to let Mr. A run up an overdue account and to collect the cost from the rest of the neighborhood through higher prices, than it would have been to have insisted upon a square deal for all.

Moreover, none of Mr. A's neighbors who paid their bills promptly ever thought of feeling hard toward him, because no one realized just how much of A's bill he was paying. Even the retailer himself never stopped to figure it out.

Now, however, conditions are different. The pinch of present economic conditions is causing the average consumer to think more about the prices he pays than he

(*Continued on page 29.*)

Are Credit Bureaus and Collection Agencies Engaged in the Practice of Law?

An Opinion by Lawrence McDaniel, General Counsel, National Retail Credit Association

Question:

Is an incorporated credit bureau or collection agency—engaged in making collections for retail merchants and others—that employs a lawyer or lawyers, paying them a salary or a commission on the sums collected by court proceedings, practicing law in violation of the statutes?

Answer:

BECAUSE of the lack of uniformity of laws in the various states, I have selected Missouri and Tennessee law to base this opinion on, and somewhere between the law of Missouri and Tennessee you will find the law of your state. And you may find the law of your state in one of the cases cited herein.

We start with the proposition that in no state is a corporation authorized or entitled to practice law. As the New York Court of Appeals says, and I quote from State vs. Retail Credit Men's Association of Chattanooga, 43 S. W. 2nd, 921:

"The practice of law is not a business open to all, but a personal right, limited to a few persons of good moral character, with special qualifications ascertained and certified after a long course of study, both general and professional, and a thorough examination by a state board appointed for the purpose.

"The right to practice law is in the nature of a franchise from the state conferred only for merit. It cannot be assigned or inherited, but must be earned by hard study and good conduct. It is attested by a certificate of the Supreme Court, and is protected by registration. No one can practice law unless he has taken an oath of office and has become an officer of the court, subject to its discipline, liable to punishment for contempt in violating his duties as such, and to suspension or removal.

"It is not a lawful business except for members of the bar who have complied with all the conditions required by statute and the rules of the courts. As these conditions cannot be performed by a corporation, it follows that the practice of law is not a lawful business for a corporation to engage in."—*In re Co-operative Law Co.,* 198 *N. Y.* 479, 92 *N. E.* 15, 16, 32 *L. R. A.* (*N. S.*) 55, 139 *Am. St. Rep.* 839, 19 *Ann. Cas.* 879.

"Cases to like effect are People vs. Merchants' Protective Corp., 189 Cal. 531, 209 P. 363; State ex rel. Lundin v. Merchants' Protective Corp., 105 Wash. 12, 177 P. 694; In re Otterness, 181 Minn. 254, 232 N. W. 318, 73 A. L. R. 1319; In re Eastern Idaho Loan & Trust Co., 49 Idaho, 280, 288 P. 157, 73 A. L. R. 1323; People's Stock Yards State Bank (June 18, 1931) 344 Ill. 462, 176 N. E. 901; and other cases collected in a note 73 A. L. R. 1328.

"In the cases just referred to, various corporations undertook to perform various legal services through licensed attorneys paid by them; the corporations paying the attorneys and the corporations themselves collecting the fees earned.

"Some of the decisions were based on statutes making it a criminal offense for one not duly licensed to undertake the practice of law. Others of the decisions were apparently supported by no statute, but rested on inherent incapability of the corporation to exercise such functions."

The Tennessee statute is as follows:

"No person shall practice as an attorney or counsel in any of the courts of this state without a license obtained for that purpose."

In the Tennessee case above referred to, certain lawyers of Chattanooga brought an action to enjoin the defendant credit bureau from the unlawful practice of law by the corporation and sought to have its charter forfeited. The defendant credit bureau solicited accounts for collection and employed a licensed attorney at a salary of $200 a month to look after suits in court. All fees received became the property of the bureau.

Some time during the pendency of the injunction suit the bureau and the attorney entered into a new arrangement whereby the attorney collected the money and deposited it in a bank account to his own credit. The attorney accounted to the bureau and the bureau accounted to the client. Instead of the attorney receiving a salary of $200 a month he was put on a commission basis, his commission being $200 a month, and was paid from the bank account of the attorney who built up his bank account from collections made by him from suits.

The court held that this arrangement was the unlawful practice of law by the corporation, saying, "The lawyer must be engaged to represent the merchant whose claim is turned over. The merchant must become a client of the lawyer; a privity must be created between the two. The lawyer must institute and conduct the suit as attorney for his client—not as an employee of his client's agent; the agent, a corporation, is incapacitated

from beginning and directing a law suit for others either through a lay employee or through an employee who is a member of the Bar."

So we see from this opinion that if the attorney is on a salary from the bureau, the bureau is illegally practicing law, and to quote again from the case: "It is difficult to see how an incorporated collection agency can maintain a law department operated by its employees, working either on a salary or a commission, without practicing law. This is so because of the nature of the business. Such an enterprise is organized to attend to the business of others; rendering legal service to another is the province of the lawyer."

Methods of handling collections similar to the defendant's methods by a similar concern have been held by the courts to constitute practicing law. (Midland Credit Adjustment Co. v. Donnelley, 219 Ill. App. 271; State ex rel. Lundin v. Merchants' Protective Corp. Supra; People v. Merchants' Protective Corp., 189 Cal. 531, 209 P. 363; Creditors' National Clearing House, Inc. v. Bannwart, 227 Mass. 579, 116 N. E. 886, 887, Ann. Cas. 1918C, 130.)

I am frank to say that under the law as laid down by the Supreme Court of Tennessee it is impossible for a corporation such as a credit bureau to employ attorneys, either on a salary or commission, to look after suits and enforce collection by court procedure without the corporation practicing law, and to states with laws similar to that of Tennessee, I at this time offer no remedy.

Now let us turn to Missouri. Sec. 11692 of the Revised Statutes of Missouri, 1929, defines the practice of law as follows:

Sec. 11692. Terms, "practice of the law" and "law business" defined. The "practice of law" is hereby defined to be and is the appearance as an advocate in a representative capacity or the drawing of papers, pleadings or documents or the performance of any act in such capacity in connection with proceedings pending or prospective before any court of record, commissioner, referee or any body, board, committee or commission constituted by law or having authority to settle controversies.

The "law business" is hereby defined to be and is the advising or counseling for a valuable consideration of any person, firm, association, or corporation as to any secular law or the drawing or the procuring of or assisting in the drawing for a valuable consideration of any paper, document or instrument affecting or relating to secular rights or the doing of any act for a valuable consideration in a representative capacity, obtaining or tending to secure for any person, firm, association or corporation any property or property rights whatsoever.

Sec. 11693 prohibits any person from engaging in the practice of law or to do law business unless he shall have been duly licensed therefor and specifically prohibits any association or corporation to engage in the practice of law or do law business as defined in Section 11692.

Now, you will note that Sec. 11692 prohibits the appearance in proceedings before any court of record. A justice of the peace court in Missouri is not a court of record, and Sec. 2207 of the Revised Statutes of Missouri provides that any plaintiff, except infants, may appear and conduct his suit either in person or by agent or attorney and Sec. 2210 of the Revised Statutes of Missouri, 1929, provides that every defendant in any suit (except infants) may appear and defend the same in person or by agent or attorney.

Therefore, bureaus in the state of Missouri with attorneys on either salary or commission may file suits for their members, subscribers or clients in the justice courts of Missouri without being guilty of the illegal practice of law.

However, cases are frequently appealed to the Circuit Court. In that event notice should be given to the member, subscriber or client that the case is in a court where the bureau cannot legally practice law, and the bureau should suggest the direct employment of counsel by the creditor to proceed with the case and thus avoid the illegal practice of law. I see no objection to suggesting the attorney who handled the matter in the justice court.

As to dissolving the corporation and carrying on the business as a voluntary association, the law of each state should be carefully examined before such a step is taken.

To the Retail Merchan

YOU can't remedy decreased sales and slow collections by keeping your credit manager within the four walls of his office. He must meet with fellow-credit managers and absorb the knowledge and experiences of many minds.

He must learn how others are weathering the storm. He must cooperate with other credit grantors and by a unity of thought and action bring about a stabilization which will help the entire country.

During periods of depression as well as during prosperity, it is your patriotic and business duty to promote good business and sound credit policies. And the only way in which you can do this is by having your credit manager become intimate with conditions in all parts of the country and form personal contacts with other credit managers.

Here is the opportunity—the National Retail Credit Association holds its annual convention in Washington, D. C., June 21-25, 1932.

Two thousand of the leading credit executives of the country will spend four days in an intensive study of consumer credit. It will be the centralization of the best credit knowledge of the nation, combined with addresses by national business leaders.

Four days of "brass-tack" discussions of the vital problems that, today, can spell the difference between profit and loss in many retail stores.

Send your credit manager. It isn't a question of "Can I afford it?" Rather it's a question of "Can I afford *not* to do it?"

Make Reservations Early

You are urged to make your reservations early so there will be no delays or confusion. Write Martin W. Watson, in care of Dulin & Martin Co., 1215 F. St., N. W., Chairman Hotel Committee or the National Office.

Stephen H. Talkes, Convention Chairman

High-Lights of the Convention

On Monday evening all delegates will be taken for a Mardi Gras excursion down the historic Potomac.

» » »

On Tuesday evening an informal "Get Acquainted" dance in the Grand Ballroom of the Hotel Mayflower.

» » »

On Thursday evening the annual National Retail Credit Association Banquet, Hotel Mayflower.

MARK LANSBURGH, *Toastmaster*
Two speakers of national reputation and a record-breaking entertainment.

» » »

During convention sessions visiting ladies will be escorted on visits to the White House, Capitol and various government buildings, as well as the home of Washington at Mount Vernon.

» » »

Convention Sessions

Convention Sessions, Tuesday, Wednesday, Thursday and Friday.

General Sessions, 9:30 a.m. to 12:30 p.m. Service Department and Classified Groups 1:30 to 5:30 p.m.

Demonstration of model credit bureau and model collection organization.

SPECIAL RATES ON ALL RAILROADS

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BUDGET
Albert G. Keen, Chairman
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Hotel Rates

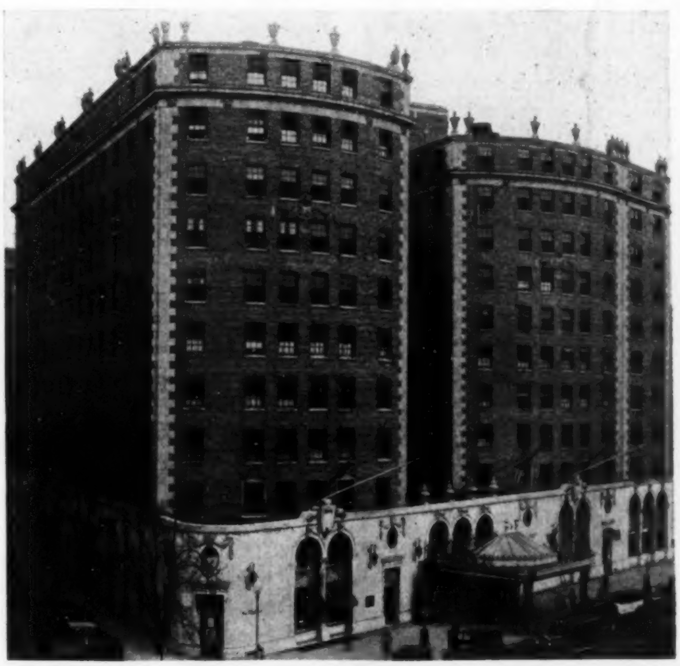
The Mayflower Hotel, selected as headquarters and in which the convention sessions will be held, proposes to accommodate all of our delegates and—an unusual concession—has reserved the entire hotel for us at special rates:

150 rooms at $4.00 per person.

(These rooms have double beds and when occupied by two persons the rate is $5.50 per day or $2.75 per person.)

150 "twin bed" rooms $7.00 for two persons.
150 "twin bed" rooms $8.00 for two persons.
25 suites at $12.00 — 25 suites at $16.00.

The first twenty-five suites consist of parlor, bedroom and bath, to be occupied by two persons. The second twenty-five consist of parlor, "twin bed" rooms, bath and breakfast room, to be occupied by two, three, or four persons.



Mayflower Hotel—Convention Headquarters

EDIT ASSOCIATION

Saint Louis

Chattel Mortgage Clauses in Insurance Policies

By LOUIS A. HELLERSTEIN

Legal Advisor, Industrial Lenders Group, Retail Credit Men's Association, Denver

THIS subject has never been treated with any particular attention. A recent case decided by the United States Supreme Court has, however, made the question of the proper endorsements of chattel mortgage clauses in insurance policies, of utmost importance. As will be seen hereafter this subject is very technical and unless the rules suggested are complied with, in case of a loss, an insurance company may well refuse to pay the same.

In the case of *Sun Insurance Office vs. Scott,* decided recently, the Supreme Court of the United States had before it a probelm involving the following facts:

Scott, after a loss, brought suit against the Sun Insurance Office upon three fire insurance policies covering certain wool. The wool was subject to a chattel mortgage to the order of Cumberland Savings Bank Company. One of the mortgages was placed before the policies were issued and the others at a later date than the policies. There were riders attached to the policies by the local agents of the insurance company reading as follows:

> Any loss under this policy that may be proved due to the assured shall be payable to the assured and Cumberland Savings Bank Company, Cumberland, Ohio, subject, nevertheless, to all the terms and conditions of the policy.

The policies also contained the following provision rendering them void if the property insured be incumbered:

> This entire policy, unless otherwise provided, by agreement endorsed hereon, or added hereto, shall be void . . . if the interest of the insured be other than unconditional or sole ownership or if the subject of insurance be . . . personal property and be and become incumbered by a chattel mortgage.

Suit was brought upon these policies by the assured Scott and it was defended by the insurance company upon the ground that a chattel mortgage had been placed upon the property without their consent thereby rendering the policy void. The assured Scott, replied to the defense, by stating that the local agents of the insurance company had knowledge of the chattel mortgage which was placed upon the wool and further that the "loss payable clause" stated that the Cumberland Savings Bank Company was to receive payment of any loss due the assured. That for these reasons and because of custom, the insurance company could not claim a violation of their mortgage clause.

The court held as follows:

1. A provision in a fire insurance policy covering personal property, voiding the policy, should it be or become incumbered by a chattel mortgage without the consent of the insuror endorsed on the policy, is a valid stipulation the violation of which constitutes a complete defense to an action on the policy.

2. The attachment of a "loss payable clause" naming one who has a chattel mortgage on the property does not constitute a consent to the incumbrance, nor a waiver of the terms of the policy.

3. The policy contains a provision that no officer, agent, or representative of the insuror shall have power or authority to waive any of the provisions of the policy unless endorsed thereon and the mere soliciting agent for an insuror has no authority to consent to an incumbrance being placed upon the property nor waive the terms of an insurance policy.

After the decision above set out was reported, the writer had occasion to examine insurance policies in use by various companies. The standard policy is typical with that in controversy in the case set out before the United States Supreme Court.

Invariably there is simply a "loss payable clause" placed upon the policy *but no consent given by the Company to the mortgage* nor any waiver of the terms of the policy requiring it. In some instances the "loss clause" recites that it is payable to a certain company omitting the fact that their interest is that of "mortgagee."

From the foregoing, therefore, it is important to keep these suggestions in mind, when mortgages are placed upon personal property:

Important:

1. See that there is an endorsement by the insurance company upon the insurance policy consenting to the property insured being incumbered.

2. See that the "loss payable clause" not only contains the name of the Company but also the fact that it is payable to the company "as mortgagee."

3. See that the agent who makes the endorsement upon the policy has authority to do so, *as a mere soliciting agent does not have such authority.* In case of a doubt send the policy to the home office of the company so that the proper officer may attach his signature to the necessary endorsements.

The President's Message

FRANK BATTY

President National Retail Credit Association

Hoarding—A Misconception and a Solution

JUST what do we mean by hoarding money? Much has been spoken and written on the subject lately, but a great variety of opinion still seems to exist among laymen and the public generally.

A credit manager recently wrote me:

"We have always been told in years gone by, that to live within one's means, and save as you go along is sound practice, not only for the man who does it, but also for the Nation. We have been told that a nation of savers is economically sound, and that it is building on sure foundations for healthy progress.

"Today we are told that to save up money is a mistake, almost a crime; that 'traitor dollars' are delaying the return of normal conditions; that it is our duty to others as well as ourselves, to spend and spend and spend. Have economic laws become suddenly reversed? Has that which has always been considered the foundation of permanent prosperity become a sliding foundation, no longer dependable?

"Or, is it simply the older principles, good as they were, are incomplete and need to be more adequately stated in the light of broader experience? What kind of dollars are 'traitor dollars'? Have we as credit executives, any duty in regard to the whole matter?"

This letter opens up some vitally interesting and pertinent questions. Hoarding is hiding. Hoarded money, stowed away in safe deposit boxes, hidden in mattresses and the old family teapot, benefits nobody. To save and invest in sound securities, or deposit in a reliable bank at interest, is not hoarding, because the money is not withdrawn from circulation.

He is a poor economist indeed and a worse patriot, who, lacking confidence in the Government of the United States and her institutions, willfully hides his money and deprives the country of its usage.

The situation which confronts us now is a modern version of the parable of the talents: "And I was afraid, and went away and hid thy talent in the earth."

Fear, born of ignorance, the archenemy of progress and stability, lies at the root of the matter; lack of confidence as the result of numerous bank failures throughout the country has created distrust and unrest in the minds of so many people that they are positively afraid to place their earnings with banks and building and loan associations. To deal with this urgent problem and to restore public confidence, is the purpose of the Anti-Hoarding Committee.

One of the most refreshing and inspiring financial statements is that recently published concerning the Bowery Savings Bank of Manhattan, the second largest institution of its kind in the world.

For the year ending June 30, 1931, when the savings deposits of the country decreased 1 per cent, the deposits of the Bowery Bank increased over 30 per cent, and for a time last spring, deposits of over $1,000 were refused. Although the bank reduced its interest rate from 4½ per cent to 3½ per cent, yet in six months last year deposits grew over 27 millions. "Such was the desire of the public to put its money in a bank in which it had confidence."

Henry Ford, in his latest declaration that he is prepared to risk his all in an effort to start an industrial revival, is an outstanding example, among others, of that unshaken faith in the stability of the Nation.

Economic laws have not been reversed; the fundamental principles of democracy are still intact; what we need is an ethical revival in our struggle to return to material prosperity; both are essential to national welfare.

Have we, as credit executives, any duty in regard to this whole matter? Indeed we have, and a rare opportunity such as never before is presented to the credit men of the Nation. The paramount duty is to aid in restoring confidence.

The amount of money estimated to be hoarded is small compared to the staggering total of frozen assets in the shape of accounts receivable—60 per cent of 27 billions continually outstanding, without interest. Here is the herculean task—to liquidate this Arctic waste into the channels of industry and commerce.

Raise the recovery percentage by only 10 per cent and an enormous sum is liberated—but even that is not the goal. The entire credit structure is threatened to be undermined by unsound and pernicious practices, unless we as credit executives here and now seize the opportunity to take a stand against the destructive forces of ruthless competition in credit terms and a policy, or absence of it which passively acquiesces to the insatiable whims and demands of the public.

Mr. Woodlock, whose appointment as a member of the Advisory Committee of the Anti-Hoarding Commission is a distinct compliment to our association, ably dealt

with this aspect of the situation in last month's issue of *Credit World*.

An army of 18,000 credit executives and bureau managers, members of this association, can by earnest, intelligent effort, accomplish much toward the solution of a vexed problem. The remedy for our major grievance lies largely in our own hands.

» » »

Leo M. Karpeles Married

Leo M. Karpeles, Credit Manager of the Burger-Phillips Company, Birmingham, Alabama, and a Director of the National Retail Credit Association has fallen a victim of Cupid's darts and with his marriage, on January 30, to Miss Frances Fitts, he makes the Board of Directors composed 100 per cent of married men.

For years Mr. Karpeles has been the "Clark Gable" of our national meetings. His handsome and Adonis-like figure was always surrounded by a bevy of young ladies, and he was rated as the best dancer in the credit fraternity.

The official family of the National Retail Credit Association extends to Mr. and Mrs. Karpeles its most sincere felicitations and wishes for a most successful and happy future.

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The North Central Conference

The Retail Credit Men of Minneapolis lived up to their reputation as progressive builders and entertainers in handling the North Central Conference of the National Retail Credit Association, held February 15-17 at the Radisson Hotel.

In addition to outstanding credit managers, the list of speakers included John L. Lynch, President of the Standard Clothing Company, Hon. Wm. A. Anderson, Mayor of Minneapolis, Hon. Theo. Christianson, former Governor, and Hon. Floyd B. Olson, present Governor of Minnesota.

The Conference banquet was combined with the "Twin Mix," an annual get-together of the Credit Associations of St. Paul and Minneapolis. The entertainment, in charge of P. H. Carr, Controller of the Standard Clothing Company, was of such exceptional merit as to cause Governor Olson to pay public compliment to Mr. Carr.

Professional Men Are Becoming an Important Group in Local and National Retail Credit Associations

A. P. Lovett

A. P. Lovett of Kansas City, Vice-President of the National Retail Credit Association, has a hobby and that is bringing the physicians and dentists into the National Credit Association.

That there is the possibility of creating a wonderful group of professional men equal in importance to the department store, women's wear, men's wear, hardware and other groups, is indicated by the fact that Mr. Lovett is *directly responsible for enrolling 250 professional men* in the Kansas City Association and *indirectly securing 150 members in other cities* which he has visited.

Mr. Lovett has not overlooked other prospects having fifty memberships to his credit. No doubt his service in the Canadian Army has imbued him with some of the qualities of the Northwest Mounted Police: when he goes after a prospect he "always gets his man!"

Nearly a Third of Retail Business is in Small Cities and Rural Areas

Retail trade in small city and rural areas in the United States is nearly one-third of the total for the country, figures gathered in the Census of Distribution have just revealed. This trade amounts to some $15,515,-125,000 annually, or 30 per cent of the nation's retail business.

The total number of persons living in the small city and rural area is 64,434,969, or 52 per cent of the total population of the United States, while 30,157,513, or approximately 25 per cent of the total population, live on farms. Small cities are classified as those of less than 10,000 population.

There are 5,270 towns and cities of from 1,000 to 10,000 population in the United States, divided into various size groups as follows: 851 cities and towns between 5,000 and 10,000; 1,332 between 2,500 and 5,000; and 3,087 between 1,000 and 2,500. In addition there are 10,346 incorporated places of less than 1,000 population which in many instances are important trading centers.

That general stores have by no means lost their important position in the more sparsely settled areas is evident by the fact that the Census shows the 87,683 stores of this kind doing a business of $1,927,622,967 in 1929—approximately 4 per cent of the entire retail business of the country and 12 per cent of the retail sales of all stores in the small city and rural areas.

Stores in the smaller places have an average of 90 customers each, whereas stores in cities of over 10,000 population have only 67 customers on the average.

While the average per capita sales of retailers in the small city and rural areas is only $239, as compared with the average of $407 for the entire United States, the Census Bureau points out that there are many small towns where per capita sales are very high.

The following cases are given as illustrative of this point: City A—population, 947, per capita sales, $993; City B—population, 1,709, per capita sales, $1,270; City C—population, 1,720, per capita sales, $992; City D—population, 1,371, per capita sales, $887.

Mr. Charles D. Bohannan, in charge of Rural and Agricultural Distribution for the Census Bureau, after studying these figures, observes that "in spite of the many discussions as to the decadence of the small city and town as a retail trading point, due to the development of good roads, automobiles and other factors, they are as a matter of fact far from dead.

"Stocked with desirable kinds of goods and rendering service of the desired type, it will probably be a long time before the retailer in this area passes out of the picture, if ever. This is indeed fortunate from the standpoint of both the residents in this area and from that of our national economic and social life."

How Good Are You As A Credit Salesman?

Announcing a Contest Open to All Members

Realizing that the credit manager of today must be a promoter of increased credit sales as well as an efficient collector, the National Retail Credit Association is anxious to bring to its members the best and most effective methods used in securing new accounts.

So we inaugurate a contest among the members of our Association, and offer three prizes for the best credit sales plan which has brought the greatest increase in credit business.

The Prizes

$25.00 First Prize
15.00 Second Prize
10.00 Third Prize

Each of the three winning plans will be presented to the 20th Annual Convention of the National Retail Credit Association in Washington in June.

The Time Limit

Midnight, May 15, 1932.

The Judges

A Committee of Three—a Leading Merchant—a Sales Expert—and a Department of Commerce Official.

The Rules

1. **The contest is open to all members of the National Retail Credit Association.**
2. **The size of the organization, volume of sales or kind of business will have no bearing in judging the merit of the plan.**
3. **The plan must be one which has been actually tried out, and not theoretical.**
4. **Contestants must describe plan in full and give detailed account of results obtained.**
5. **Write your plan on blank paper, and on a separate sheet write your name and address, enclose both in one envelope and send same to**

"Credit Sales Promotion"

National Retail Credit Association

1218 Olive Street **St. Louis, Mo.**

SIOUX FALLS BUREAU

Private Office of Mr. E. S. Miller, Manager

THE Associated Retailers of Sioux Falls, South Dakota, operating in a city of thirty-four thousand, have during the past ten years grown from a membership of sixty-seven to two hundred thirty. During this period of time it has been necessary for them to move four times in order to acquire additional space, the last move being made into quarters which give them the use of 2,400 square feet of space.

The new offices are located at 131 South Phillips Avenue, right in the heart of the retail district and within a "stone's throw" of all of the larger stores. The new offices are in a reinforced concrete, fireproof building and

IN NEW, MODERN OFFICES

face forty-four feet in the principal retail avenue and extend back sixty feet.

Designed and built to special plans for the specific needs of the organization, the new offices have excellent light and ventilation—no artificial light being required on a normal day as ample daylight is available in all parts of the office.

In addition to the three offices shown in the accompanying pictures, there is also (a) reception space for visitors, (b) a large stock room for supplies and printing, (c) a rest room for the office associates.

A special telephone installation to facilitate the handling of an annual volume of approximately 150,000 transactions over nine trunk lines has been worked out by the engineers of the Northwestern Bell Telephone Company. This special equipment has been designed especially for credit bureau use and is similar to the "one hundred multiple unit" used by many bureaus. This particular equipment is the only installation of its kind in the state. There is a complete buzzer system connecting all departments.

The active personnel of the Sioux Falls office consists of fourteen associates. So far as can be determined by the management, this gives Sioux Falls the largest active staff of any bureau in a city of its size in the United States.

The Sioux Falls office does not maintain any collection department of its own, but has a very satisfactory working arrangement with two highly reputable and aggressive collection agencies.

Despite the fact that the offices of the Sioux Falls bureau are in a fireproof building of the most modern construction, all master cards of the bureau are filed in four large fireproof safes.

All of the equipment used in the credit bureau is steel, the old wood units having been discarded recently. Each bureau operator has her own specially designed desk which has been made "special" to order for the particular requirements of this work.

The Retail Coal Account

By W. D. CLINTON

Credit Manager, Hawthorn Coal Co., Minneapolis

THERE exists within the retail coal industry certain factors which determine the policies of credits and collections that are employed. First, the retail coal merchant has, in the main, but one commodity for sale, and that a highly seasonal one. Though the length of the selling period proper varies with different areas of the country, a maximum of seven to eight months is the best that may be expected.

Second, the buyers of coal at retail are of two main groups: domestic, that is purchasers of coal for home consumption, and what are known as industrial or steam accounts, which include apartment houses, store and office buildings, factories, warehouses, laundries, and dry cleaning establishments.

Third, though the price varies with different grades of fuel, the per unit cost of coal to the consumer as compared with other commodities, is relatively high. This is particularly true in communities far removed from the fields of production.

As a consequence, it is a fact that the average balance per customer account is high. This condition, in turn, requires a more rigid policy of credit extension.

A fourth and last characteristic of importance is the fact that an unusually high proportion of total sales are made on a credit basis. Such sales frequently reach 80 per cent or more, though this figure has in instances been lessened by the offering of a discount for cash. The principle of a cash discount, however, has not generally found favor with well established firms in the larger cities.

With reference to the analysis of the credit application, the chief concern in the case of domestic accounts is for the usual information as to the applicant's willingness and ability to pay the account when it becomes due. From the extremely disturbed employment situation of the past two years, we are all fully aware of the importance of definite knowledge as to the customer's ability to pay measured in terms of income.

In the retail distribution of coal, credit to domestic buyers is extended in most every case to the head or main support of the family. For this reason and also because fuel is a necessity of life, the perils of credit extension to minors are almost negligible. Most states hold that for necessities delivered to the home the wife is equally responsible with the husband. If the wife is employed or possesses attachable assets this fact may be of much assistance in the collection of the account.

Obviously, the most serious problems of credit extension are involved in the accounts of industrial buyers, previously referred to. Though much lower priced coals are purchased by such accounts, their fuel requirements at the height of the heating season are high. Their accounts run high and the margin of profit on such sales is considerably lower than on domestic sales.

These factors have a very sincere bearing on safe credit extension. It is of utmost importance, therefore, to gather definite knowledge as to the net responsibility of the customer, whether it be individual, partnership, or corporation. Of almost equal importance is information as to the working capital and net earnings. These two, assuming the buyer's willingness to pay, practically decide how promptly invoices will be met.

In the case of apartment buildings and rental property, management is often in the hands of an agent of the owner. It is therefore of vital importance to establish the liability of the buyer before making deliveries to such buildings.

In these remarks we have attempted to summarize briefly the considerations affecting the extension of credit to retail coal buyers. The sources and methods of obtaining the desired information are well known to credit granters in the retail field.

With the exception of special arrangements sometimes offered to stimulate out of season sales, the terms of the retail coal industry are generally thirty days net, which is to say that all accounts are due in full by the tenth or fifteenth of the month following purchase. During the fuel burning season coal accounts are paid with fair promptness because the customer is or soon will be in need of more fuel.

There are those, of course, who realizing that their credit is limited, will attempt to buy from two or more companies, thus piling up obligations. To combat this condition we are fortunate in having in Minneapolis a special department of the Credit Bureau whose files include information on only coal accounts.

It is their responsibility to answer, with up-to-the-

minute information, the inquiries of all member coal companies. Current knowledge of any customer can thus be obtained with much greater speed and at a much lower cost than if such inquiries were cleared through the records of the main bureau.

Due to competition and the resultant uncertainty which frequently exists in the price structure covering industrial coals there is much shopping by buyers of such fuel. In order that the more doubtful of these customers should not be permitted to accumulate balances with a number of firms, frequent checking of such accounts through the fuel division of the Credit Bureau is necessary.

No attention is given any account on our books excepting cases where special arrangements have been made or where a fixed credit limit has been set, until the first day of the second month following purchase at which point the account becomes, for the first time, past due.

A special statement is mailed to such as are considered poor risks and to those who, though the risk is considered satisfactory, are not prompt payers. The usual monthly statement is sent to all of the others.

On the tenth of the month the accounts are again analyzed and such as received only a plain statement ten days previously and which remain unpaid, are mailed a special statement. From the time a customer is sent the first special statement his account is followed up consistently at ten-day intervals.

If the account remains unpaid after ninety days the interval is generally reduced to seven days. During the early stages of delinquency letters are the main medium of approach. Form letters, the value of which have been tested by experience, are used to a considerable extent. Individually dictated collection letters are employed where the circumstances of the account seem to demand. The telephone is rarely used until a balance has been carried from sixty to seventy-five days.

Collection instruments employed consist of varying forms of special statements, stickers, letters, telephone calls, and the personal call. The last, however, is becoming of decreasing importance. Equal results can generally be accomplished by less expensive methods. The severity of the approach increases, of course, with the degree to which the account is past due. Throughout the entire collection procedure the personal element in contacting the customer is retained to the greatest possible extent.

Possibly the most difficult situation that the coal merchant has to meet in his credit and collection program is that of many customers who after paying satisfactorily during the winter, forget that payment for the last ton of coal purchased is due the month following.

As in all other branches of retail trade, the good will of the customer is of inestimable value. In order to preserve this and still liquidate spring balances as rapidly as possible, the industry and ingenuity of the retail coal credit or collection manager are put to their most supreme test. The circumstances of the account and whether or not the customer is making a reasonable effort to liquidate the balance determine when, if necessary, the account is assigned to an attorney for more aggressive action.

It would sometimes appear that our country has been so long in the throes of economic depression with its great effect on the earning possibilities, mental state, and the habits of individuals, that the credit ineligibles are, to a much less extent, applying to business firms for credit. Also, those who have a near normal income seem to have a greater consciousness of their obligations and are paying their bills more promptly.

Whether or not this is generally true we have, within our organization, experienced collection averages for the past eight months much better than those of a similar period of the preceding three years without any significant tightening of our credit policy.

No one firm can successfully convey to another just what constitutes an effective procedure of collection because of the variability of factors and conditions within each company. However, the experience of retailers everywhere has demonstrated that any collection procedure to be effective must be based on courteous, systematic persistency.

There is no substitute for it.

The aggressive collection manager will abandon timeworn methods and phrases, and will be constantly conceiving varied and original ways of approaching the customer. He will take advantage of everything he knows about the customer, and will use that knowledge to help collect the account.

WASHINGTON BULLETIN

R. PRESTON SHEALEY
Washington Counsel, National Retail Credit Association

FOREWORD

WITH the introduction on March 1, of companion bills by Senator Hastings of Delaware and Representative Michener of Michigan, Congress will soon be considering bankruptcy reform. These bills embody the suggestions of the Attorney-General.

Retail credit grantors ask: "How have the four bankruptcy amendments endorsed by the St. Louis Convention of the National Retail Credit Association on June 19, 1931, fared at the hands of the Attorney-General?"

Briefly, the answer is as follows: Necessaries of life are not barred from discharges but that portion of the amendment relating to debts incurred within four months of bankruptcy has been cared for by an amendment empowering the Court to suspend discharges when the bankrupt has contracted indebtedness within that period with no reasonable expectation of being able to liquidate the same.

Courts are empowered to suspend discharges in those cases where the assets do not equal 50 per cent of the indebtedness and bankruptcy has been brought about by speculation, extravagance in living, gambling and neglect of business, causes emphasized at the St. Louis Convention as contributing to bankruptcy. *Utilization of the services of adjustment and service bureaus in settlement and amortization of indebtedness outside of bankruptcy has likewise been provided for.*

There have been no limits placed upon voluntary bankruptcy as desired by the Convention but there has been an approach to this problem by a proposed amendment under which wage earners earning in excess of $1,500 annually can be thrown into involuntary bankruptcy. Under the present law a wage earner cannot be adjudicated an involuntary bankrupt.

The writer personally recommended to the Department of Justice that qualifications of trustees as to being elected in a jurisdiction where they did not live or have a place of business should be removed and this suggestion has been endorsed by an appropriate amendment in the bill.

It will be recalled that Representative Baldrige of Omaha, Nebraska, on January 11, introduced H. R. 7430, barring the necessaries of life from discharges and requiring the bankrupt to prove good faith as to debts contracted within four months of bankruptcy. Backed by retail credit grantors and retail grocers, Representative A. H. Andresen of Minnesota, on March 1, introduced H. R. 9971, limiting voluntary bankruptcy to a minimum of $500 of unsecured indebtedness.

With certain portions of the National Retail Credit Association bankruptcy reform program contained in the administration bill, and those not recommended by the Attorney-General covered by separate bankruptcy bills, the stage is now set for consideration by Congress of the entire program of bankruptcy reform of the National Retail Credit Association and other national retail organizations.

Of course, the administration bill contains a large number of other features not in the National Retail Credit Association program such as administrators and examiners to have general supervision of bankruptcy and placing referees upon salary basis.

Legislative

(a) Numerous matters of interest are receiving attention at the hands of Congressional Committees, not the least of which are the appropriation measures. On February 25, the Commerce Appropriation bill was passed by the lower House, containing an appropriation of $446,531 for domestic commerce.

This is below the amount expected but it is hoped that the Senate will somewhat increase this item, especially as it affects the credit surveys. It should be borne in mind that domestic commerce appropriations represent but a very small fraction of the total appropriations for the Government and pale into insignificance when compared with appropriations for farmers and other sections of the body politic.

(b) On February 29, a subcommittee of the House Judiciary Committee completed hearings on H. R. 255, a bill introduced by Representative Christopherson to revise the contract laws of the Government. This bill contains a section of interest to credit managers, particularly those of building material houses, as it proposes to revise the public works statute of the Government under which material men on public works have a right to sue under certain circumstances on a bond.

Credit granters may obtain detailed information about this bill, if interested, from the Washington counsel of the National Retail Credit Association.

(c) One of the important subjects reflected by numbers of bills introduced in both Houses is a modification

of the Sherman Antitrust Act. Proponents of some of these bills say that under present laws some mergers are prohibited that might be beneficial and others permitted which are not so beneficial and that, therefore, the act needs immediate study and some modification.

The House Judiciary Committee has recommended to the House Rules Committee a special rule permitting a general investigation of the subject by the House of Representatives. On the Senate side the three bills on the subject, those by Senator Stiewer of Oregon, King of Utah, and McKellar of Tennessee, have been referred to a subcommittee of the Senate Judiciary Committee, of which Senator King is chairman. No hearings have yet been held. The bills in substance provide for investigation of the subject.

The situation being the same on the Senate side as on the House side it may be safely predicted that Congress, at this session, will authorize some sort of investigation of the Anti-Trust Laws.

There has been a hearing before a subcommittee of the Senate Judiciary Committee on the Nye bills, S. 2626, 2627, 2628, and the matter has also been referred to the Attorney-General for his opinion. These bills seek to make binding Federal Trade Commission Trade Practice Rules and to create a Federal Trade Court.

Departmental

(a) Frequently matters happen in Washington which attract little or no newspaper attention while on the other hand unimportant items get scarce headlines and columns. In the present depression maximum returns for assets of failed banks in process of liquidation mean a good deal not only to creditors of the banks, that is the depositors, but also creditors of such depositors, *meaning thereby, retail credit granters.*

The Comptroller of the Currency has announced that a central agency for marketing securities owned by failed banks has been set up in New York in order that saleable securities, such as bonds and standard stocks, will be sold in a manner not to break the market. A good many million dollars, it is said, will be saved by this new method of liquidation of failed banks' assets.

(b) Postmaster-General Brown believes that if the maximum amount for postal savings deposits is increased from $2,500 to $5,000, hoarded money belonging to depositors would be placed in these accounts and over $200,000,000 of hoarded money made available.

Senator Dill of Washington is also urging that postal savings banks depositors be allowed to withdraw their deposits through checks rather than through presentation of pass books but so far neither of these ideas is receiving much encouragement in Congress. In fact, the suggestion of the Postmaster-General has been disapproved by a subcommittee of the Postal Affairs Committee and while Senator Dill has introduced a bill to carry out his suggestion the forecast is that it will meet with considerable opposition.

Court Decisions

(a) Life insurance has come to be such an important factor in American life that any court decision of general application on insurance is of interest. Section 70a (5) of the bankruptcy act provides:

"That when any bankrupt shall have any insurance policy which has a cash surrender value payable to himself, his estate, or personal representatives, he may, within thirty days after the cash surrender value has been ascertained and stated to the trustee by the company issuing the same, pay or secure to the trustee the sum so ascertained and stated, and continue to hold, own, and carry such policy free from the claims of the creditors participating in the distribution of his estate under the bankruptcy proceedings, otherwise the policy shall pass to the trustee as assets."

The United States Court of Appeals for the Fifth Circuit in Cooper, trustee, v. Tayler on January 12, 1932, decided that this section did not apply where under state laws cash surrender value of an insurance policy is exempt from attachment, garnishment, or legal process; in effect holding that the cash surrender value is not a part of the assets in bankruptcy in states having such laws.

(b) The National Surety Company and other creditors of Morris White, Inc., have filed a petition in the United States Supreme Court for a review of the decision of the United States Circuit Court of Appeals for the Second Circuit, which presents some interesting aspects of bankruptcy. It appears from this petition that in April, 1931, a creditor of the corporation filed a petition in equity for a receiver and that upon the filing of the petition and the consent to the appointment by the corporation the United States District Court sitting in equity appointed a receiver.

Thereafter, in June, 1931, the receivership was made permanent and a plan of reorganization through a sale of the assets of the old corporation to the new corporation was approved by the Court. This plan of settlement was objected to by certain of the creditors who made the point that the corporation was actually insolvent and that an equity court has not the power through an equity receivership to become a substitute for administration in bankruptcy.

The petitioners base their contention that the equity receivership should have been vacated and the assets of the corporation administered in bankruptcy to some extent upon Municipal Financial Corporation v. Bankus Corporation, 45 F. (2d) 902, and matter of Bankus Corporation, 45 F. (2d) 907.

In this latter case the Court took the position that utilization of chancery proceedings to bring about a moratorium caused by reason of a temporary shortage of funds, cannot be used in those cases where actual intrinsic values are less than liabilities.

(c) On February 19, the trustee in bankruptcy of Craig, Reed & Emerson, Inc., filed a petition in the United States Supreme Court praying review of a decision of the United States Circuit Court of Appeals for

the First Circuit presenting another bankruptcy question of interest.

The trustee for the bankruptcy concern filed a plenary petition with the referee in bankruptcy against the Plymouth County Trust Company for a return of certain moneys alleged to be the property of the bankrupt corporation and the petition further alleges that the respondent consented to the jurisdiction of the referee to try the case.

The case was tried on its merits in the United States District Court with a verdict for the trustee in bankruptcy, but the Circuit Court of Appeals for the First Circuit reversed the decision of the lower court. In the language of the petitioner for the Writ of Certiorari the question presented to the United States Supreme Court for its decision is this: "May a referee in bankruptcy, by and with the consent of the proposed defendant, lawfully hear a petition or bill of complaint for the recovery of property under Section 60 (b) of the bankruptcy act?"

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A Tribute to "Van" from Chas. M. Reed

From among the hundreds of letters received at the National Office commenting upon the death of James H. Van De Water of Los Angeles, the editor selects the following as a tribute from the heart of a man who knew "Van" well, Charles M. Reed of Denver, Vice-President of the National Retail Credit Association:

"The sudden and untimely death of Van brought to a close the career of one of the biggest men in our line of business.

"He was not only a big man from the standpoint of physical energy, but his attitude toward all of us was of the very broadest sort. He was ever willing to extend a helping hand to anyone who needed it. His advice, which was so freely given, was always without price, and golden in its import.

"Many have been the times when his counsel and smile have chased away gloom of the greatest density, which was replaced on the spot by a wave of sunshiny optimism, radiating confidence and happiness. He was always sincere and his greetings were always cordial. His home always was the home of his friends.

"Van is gone. He heard the call, and like the true soldier he was, he promptly responded.

"Let us hope that Van right now is somewhere in the Great Unknown looking down upon us with that friendly smile by which we were always greeted when we came into his presence. To say that we are sorry, perhaps, would not be just the thing.

"Maybe it were better for us just to believe that Van is not actually gone but simply on a journey, perhaps taking a rest which he so richly deserved. Maybe he is still somewhere about waiting to extend again to those of us who knew him best that strong helping hand which was always extended to those who needed him."

Walden F. Muller Succeeds "Van"

Walden F. Muller, newly appointed General Manager of the Retail Merchants Credit Association of Los Angeles, is thirty-nine years of age; born and reared in Spokane, Washington; was an accountant, office manager, and credit manager in both retail and wholesale merchandising institutions until he became the manager of the Seattle Credit Bureau in Seattle, Washington, in 1920.

He served as State Chairman for the National Retail Credit Association in Washington and was instrumental in bringing not only the Seattle Credit Bureau but others into the Service Department of the National Retail Credit Association.

In 1922 he was sought out by the late Mr. J. H. Van De Water, and removed to Los Angeles to become the Assistant Manager of the Los Angeles association, succeeding to the position of General Manager upon the death of Mr. Van De Water, February 11, 1932.

The National Office extends to Mr. Muller its best wishes for success in his new position.

The Value of the Credit Bureau

(*Continued from page 13.*)

ever did before. The majority of consumers and of retail merchants are reaching the same conclusion at the same time; namely that this matter of retail credit accommodation and the privilege of returning merchandise, must be put onto a business basis so that each customer will carry his own load.

It is not an easy thing to do—to change the habits and practices of generations. It can be brought about only in the same way that the banks have brought about the sound and businesslike attitude of the public in their banking relations; that is, all stores that extend credit and other privileges, must settle upon definite, fair and workable rules by which they will be governed, and then stick to them.

A second, but equally important step is that the great majority of consumers who do handle their accounts properly shall come to realize the burden that falls on them, as the result of the abuse of privileges by the irresponsible few.

Once they really know the facts, there will be no question about public cooperation. The time will come when as much stigma will attach to the admission that one has overdue accounts at the stores, as now attaches to the person who has an overdue note at the bank or who is posted for non-payment of dues at his club.

The stores on the other hand must do their part by insisting that all their customers live up to the rules. This is not a question of rich and poor. The proportion of wealthy customers who abuse their privileges is quite as large as that among people of moderate means, and the cost to society is quite as serious. The Merchants' Credit Bureau will keep the records of all.

Credit—Its Basic Meaning and Place in Modern Life

By PROFESSOR JOHN T. MILLER

Dean of Education and Psychology, Brenau College, Gainesville, Ga.

TO THE student of history—and particularly economic history—it becomes apparent that we have witnessed a veritable renaissance in business practices. This change or development is possibly most marked in the understanding of and in the preparation for entering upon a business career.

Not so long since, it was considered quite unnecessary for one to undergo a season of preparation for a business vocation. How changed is this conception! Through processes of experimentation—sometimes at a very great cost—it has been gradually discovered that business has—like other occupations—certain basic principles underlying it and that real success depends upon a thorough comprehension and mastery of these principles.

Gradually but surely we are coming to realize that business is a science and consequently subject to the application of scientific principles. More and more we are coming to realize the necessity for a period of prolonged preparation as a basis for interpreting and correctly evaluating the complexities of modern business life. The problems involved are manifold and each one has its own peculiar approach and solution. It is here proposed to examine briefly some aspects of the credit problem.

From the time when credit was first extended for consumptive purposes only, to that of the twentieth century when approximately 85 per cent of the wholesale and retail business is transacted on a credit basis, is a far journey. The attendant changes in the philosophy of credit extension, and acceptance call for a more detailed knowledge of the principles and factors involved.

Theories and practices have their rise in response to some more or less consciously felt need on the part of some individual or some group of individuals. These in turn have their periods of growth and decay to the extent to which they prove adequate in satisfying the needs or solving the problems for which they were created. This principle straightway finds application in the realms of business relationships. One of the needs with which we are confronted is a change of emphasis in business ethics. Our present code needs to be revised and brought up to date in the light of the available scientific findings.

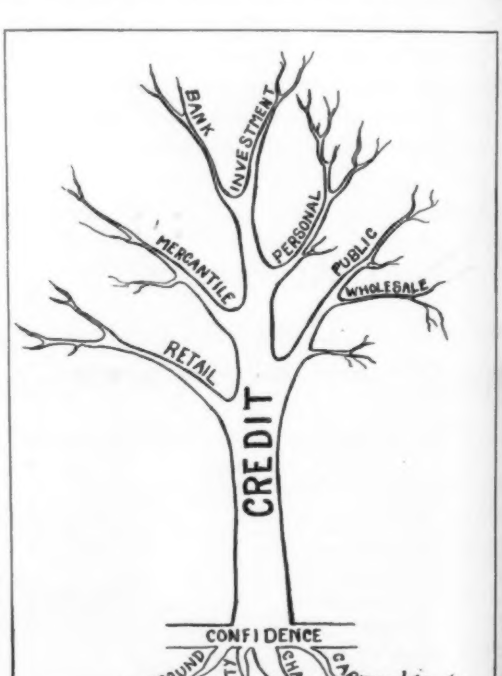
One of our needs is that of a professionalized credit conception. This involves, first, the necessity of giving the public generally and the man on the job a more scientifically grounded conception of credit as a principle. Credit in principle is economically sound. The criticism ordinarily attached to credit must be fastened upon the individual who unwisely exercises his credit privileges, and upon the creditor who too liberally extends the privilege of credit.

Secondly, credit must be given the dignity and consideration due it in the light of its origin and the position it has come to occupy in the everyday experiences of the race. It has become not only a convenience but an economic necessity.

To make good the above needs, necessarily involves a process of education. The dispensers of credit must be educated anew in the employment of scientific techniques in their practice of extending credit. The public generally must be taught to counsel with wisdom in the exercise of their credit privileges. A realization of the above is entirely within the bounds of practice, but demands an altered conception and a changed emphasis in the usage of credit—one that accentuates the ethics back of the process rather than the process itself.

For the sake of clarity and concreteness, the accompanying illustration is offered.

The illustration scarcely needs any comment—it is self-explanatory. The body of the tree is intended to typify "credit" in its generic sense. The branches repre-



sent the different types of "credit." The general concept "credit" is represented as grounded in *confidence*—the meaning implied in the root terminology of the term.

Confidence in turn is represented as growing out of a fourfold background, as follows: (1) Character, (2) Ability, (3) Capital, (4) Personal Background. The possession of the above traits or factors in their composite character correctly measures the advisability of extending and receiving credit. The interaction of these qualities and their understanding furnish a scientific approach both to the giving and to the receiving of credit.

Character, being regarded as the most essential factor, is represented as the "tap root" of the "credit" tree. The proper combination of the above factors is taken as a measure of the soundness of credit, which in turn is a rather accurate criterion of the status of business soundness in general.

The objectives aimed at in the above are all subject to cultivation and development. A cooperative and constructive educational program is demanded for their realization in practice. The public generally and the youth in particular need to be taught the rightful place of *Credit* in the fabric of our economic life.

Credit, with its antecedent and subsequent relationships, needs to be interpreted in the light of its present possibilities. The instruction given should be cast upon a positive rather than a negative level. Too long teachers and parents have endeavored to educate against the use of credit—to exercise a restraining force, rather than to educate and develop a correct understanding of the worth and dignity of credit as a means of exchange.

We have had ample opportunity to witness the futility of this negative type of instruction. What we need now is a vigorous scheme of positive instruction, pointing the virtues, the sanctities, and obligations in the use of credit.

The users of credit must be taught to regard it as a trust to be kept inviolate. It has survived the tempests of a long past and has become an institution in modern life and as such it must be recognized. It is the abuse and not the use of credit that has in a measure made for the present industrial depression.

Whether credit continues to be a blessing or a curse depends upon the carefulness with which it is granted and accepted. The dispensing of credit must be marked by openness, honesty, and fair dealing if its potential benefits are to be mutually shared. Furthermore, it becomes almost axiomatic that the future of our whole industrial and commercial civilization is dependent upon the wise and beneficent understanding and use of credit techniques.

In short, the education of people generally must be advanced to a more intelligent and scientific understanding of the nature and use of credit. This will make for a more equitable exchange of capital and will serve as a motivating force in the production and in the distribution of wealth.

POSITIONS WANTED

OFFICE AND CREDIT MANAGER—of Western store of national organization—available for position due to closing of local store. Married, age 45, good health. Broad experience, mature judgment, clean record. Will go anywhere. For full details address: Box 33, *Credit World*.

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CREDIT MANAGER—with many years of successful collection results is available for immediate connection. Eastern states and Pacific Coast experience. Address Box 34, *Credit World*.

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CREDIT AND COLLECTION MANAGER—Man 40 years old, married. Past three years Credit Manager largest furniture store northern New York, doing annual charge business over $500,000, about half installment. Store recently merged. Previous five years Credit Manager chain store doing annual business over $1,000,000. All inquirers will be furnished complete details and best of reference. Address Box 32, *Credit World*.

E. J. JONES

As we go to press we learn of the death, on March 12, of E. J. Jones, Credit Manager, J. Craviotto & Sons, Oakland, California.

He was a former President of the Oakland Local Association and a tireless worker in the cause of good credit. Many who attended National Conventions will recall his 300 pounds of genial fellowship. He leaves a wife and two small children, and a host of personal and business friends.

Credit Problems of 1932

(*Continued from page 6.*)

patrons already on the books provide the only real protection against a rapid increase in bad accounts and, since these are easily obtainable at low cost through the local credit bureau, they may be regarded as insurance at a lower rate than that which can be secured for any other part of the business.

Unquestionably, in every city which has a credit bureau operating on the proper basis, where stores report every bad account and clear each new one through the bureau files, the cooperating merchants receive far more than they give—not only in actual money value but in security for the future as well. It is for this reason that constant cooperation with the bureau is so essential.

The charging of interest on overdue accounts, a subject which arises unfailingly at every state or national credit convention, will almost certainly be more widely agitated during the present year—to be supported by those who see in it a logical means of securing additional revenue and opposed by those who feel that the present is no time to impose additional burdens on an already overloaded credit department.

Before dismissing the subject, however, it would be well to consider most seriously the statement of George K. Fried, Manager of the Merchants' Credit Bureau of Youngstown, Ohio, in the December, 1931, issue of the *Retail Ledger* where Mr. Fried reported that only forty-one protests had been received out of 20,000 notices to customers sent out by three of the largest stores in Youngstown.

"The cost of setting up this system," Mr. Fried states, "is very low, one of our larger institutions reporting that the posting of interest, plus the cost of stationery, supplies and salaries involved, amounts to no more than $90 a month on 22,000 active accounts, while about $8,000 has been placed on the books of this store for interest charges and the major portion of this has been collected."

It is only natural that Mr. Fried should add, "We firmly believe we are on the right track and we also believe that, eventually, this practice will become a nation-wide policy."

Whether it will or not depends entirely upon the wishes of the individual stores for, as in the case of curtailment of the terrific cost of returned merchandise, no one store can do much along this line without the support of others in the community. I would like, however, to submit this, as well as the general question of reduction of the cost of returned goods, as one of the major problems to be seriously considered by credit managers during the current year.

Also closely allied to the charging of interest on overdue accounts is the establishment of a pooled account by which the credit bureau enters into an agreement with a debtor of a number of stores to accept his note in payment of these bills—a system adopted with marked success in several communities, including Fort Worth, Texas, where, as E. G. Graves, Secretary-Manager of the Fort Worth Retail Merchants' Association, says: "This service is of fourfold benefit—to the merchant, the debtor, the investor and the bureau—and its soundness is proved by the fact that we have lost only $50 on a volume of $600,000 in five years."

Finally and without entering a single piece of really new business upon the calendar of things to be done by credit managers in 1932, there is the very real responsibility for salesmanship which is devolving more and more each day upon this very important division of the store. In the past people bought merchandise. Today it has to be sold to them—and a vital part of this selling rests upon the shoulders of the Credit Department.

Not only can the new applicant for credit be started off on the right foot, so far as his impression of the store and his respect for its terms of payment are concerned, but he can also be given a real example of the courtesy with which he will be treated and, through this courtesy, be made much more of a friend of the organization than he otherwise would be.

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Newark Association Recommends Uniform Basis for Reporting Collection Percentages

The Newark (N. J.) Credit Association held a very enthusiastic meeting February 3 which was addressed by Charles J. Martin, Field Representative of the National Retail Credit Association.

Following the meeting the association forwarded to the National Office a request "that the National Retail Credit Association advocate a uniform basis to be recognized by all retailers in reporting collection percentages."

It was the opinion of this meeting that "the total outstanding indebtedness of customers, which properly includes the amount in Suspense Ledger, should be divided into the collection for the month in determining the comparable figure and that companies which transfer account balances to Suspense after sixty days and do not compute the collection percentage on gross outstandings but upon active outstandings only should be requested to conform to the proper method."

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That ice refrigerators can be sold in competition with electrical refrigerators is indicated by the report that one firm who had their "ice men" report dilapidated and defective ice boxes were able to sell new ice boxes to 85 per cent of those reported.

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